

**GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:2626
ANSWERED ON:18.03.2008
CREDIT FOR SMALL SCALE INDUSTRIES
Singh Shri Sugrib

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) the total credit made available by the Government for small scale industries in terms of percentage of production during 2006-07 and 2007-08;
- (b) whether the credit provided to small scale industries is below their credit requirement;
- (c) if so, the reasons therefor;
- (d) the details of recommendations made by the Kapoor Committee in this regard; and
- (e) the details of the recommendations implemented so far?

Answer

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES(SHRI MAHABIR PRASAD)

(a) to (c): The advances to the micro and small enterprises (MSEs) from the Public Sector Banks were Rs.82,492 crore and Rs.1,04,703 crore at the end of March, 2006 and 2007 which in terms of percentage of production by the MSEs (at current prices) during 2005-06 and 2006-07 (latest available) were 16.6 per cent and 17.9 per cent respectively. In the context of target of growth of the MSE sector, the quantum of credit flow cannot be considered as adequate. The reasons for inadequate credit flow to the MSE sector are high cost of credit, collateral requirements, elaborate procedural requirements, etc. due to which large number of MSEs are unable to access the required credit facilities.

(d) & (e): The Reserve Bank of India (RBI) had appointed a One- Man Committee headed by Shri S. L. Kapur in December, 1997 to inter alia review the working of the system of credit delivery to the MSEs and make suggestions on simplification and improvements in systems and procedures. The Committee's report submitted in June, 1998 to the RBI contained 126 recommendations. The major recommendations of Kapur Committee have been accepted and implemented which, inter alia, include delegation of more powers to branch managers of banks; simplification of application forms; opening of more specialised MSE branches by banks; enhancement of the limit of composite loans; banks to pay more attention to the backward states; special programmes for training of branch managers; banks to make customer grievances machinery more transparent and simplify the procedures for handling complaints and monitoring thereof.